British Columbia Buildings Corporation

ANNUAL REPORT 1989

The British Columbia Buildings Corporation is a Crown corporation established by legislation in 1976 to bring strict accountability to the provision and allocation of government accommodation.

Using a market based pricing system to the maximum extent possible, the Corporation establishes rents which are charged to government ministries for the space they occupy. The Corporation thus fulfills its mandate to be revenue dependent, while ministry budgets more accurately reflect the costs of government programs.

The Corporation represents a unique departure from the ministry or department approach to the provision and maintenance of accommodation for government in three important ways:

- Overall direction is vested in a Board of Directors on a basis broadly comparable with the private sector
- Operations are financed through revenue derived from charging for the space and services provided
- Capital projects are financed through borrowings and internally generated funds.

The Corporation is accountable to the Legislature through the Minister of Government Management Services.

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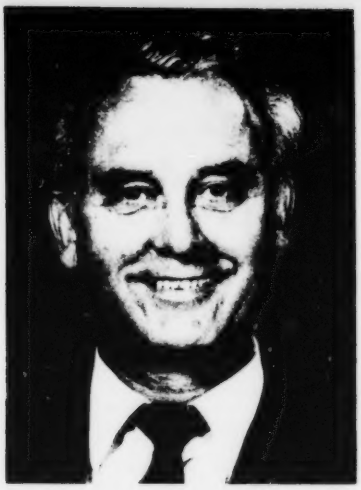
Five Year Highlights

Year Ended March 31 **$000's**

FINANCIAL	**1989**	**1988**	**1987**	**1986**	**1985**
Gross Revenue	**260,125**	250,104	239,885	234,547	234,321
Operating Income	**73,813**	67,394	66,539	69,053	67,419
Interest	**45,655**	44,429	61,247	65,858	63,015
Net Income	**28,158**	22,965	5,292	3,195	4,404
Cash Flow	**67,757**	51,148	36,877	39,583	40,919
Total Assets	**643,882**	592,000	567,458	791,352	821,961
Operating Income Margin	**28.4%**	26.9%	27.7%	29.4%	28.8%
Return on Investment	**12.8%**	12.3%	10.2%	10.4%	10.1%
Return on Equity	**25.7%**	22.1%	5.1%	3.0%	4.2%

PROPERTIES			**Square Metres**		
Owned	**1,310,213**	1,303,960	1,300,433	1,355,019	1,384,846
Leased	**469,321**	459,946	442,577	436,619	420,171
Maintained	**78,203**	78,420	79,003	104,424	104,998
	1,857,737	1,842,326	1,822,013	1,896,062	1,910,015

STAFF					
Total Authorized Complement	**768**	870	939	999	1,060



His Honour
The Honourable David C. Lam, C.M., K.St.J., LL.D.
Lieutenant-Governor of the Province
of British Columbia

MAY IT PLEASE YOUR HONOUR

The undersigned has the honour to present the Annual Report of the British Columbia Buildings Corporation for the year ended March 31, 1989.

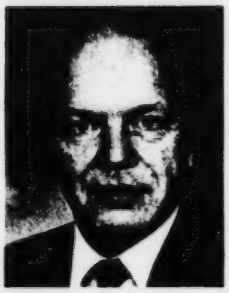
Cliff Michael
Minister of Government Management Services
Province of British Columbia

Board of Directors

Thomas A. Toynbee, Chairman
Businessman
Ganges

Dennis Truss
President
and Chief Executive Officer
Victoria

James R. Chabot
Retired
Invermere
(from May 11, 1988)



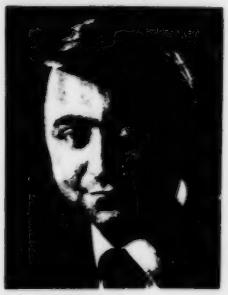
Len Fox
Businessman
Vanderhoof
(from December 2, 1988)

Gordon L. Hunter
Businessman
Victoria
(from March 31, 1989)

Robert E. Parkinson
Businessman
Victoria

Dan Peterson
MLA
Langley

George A. Rigsby
Accountant
Quesnel
(to March 31, 1989)

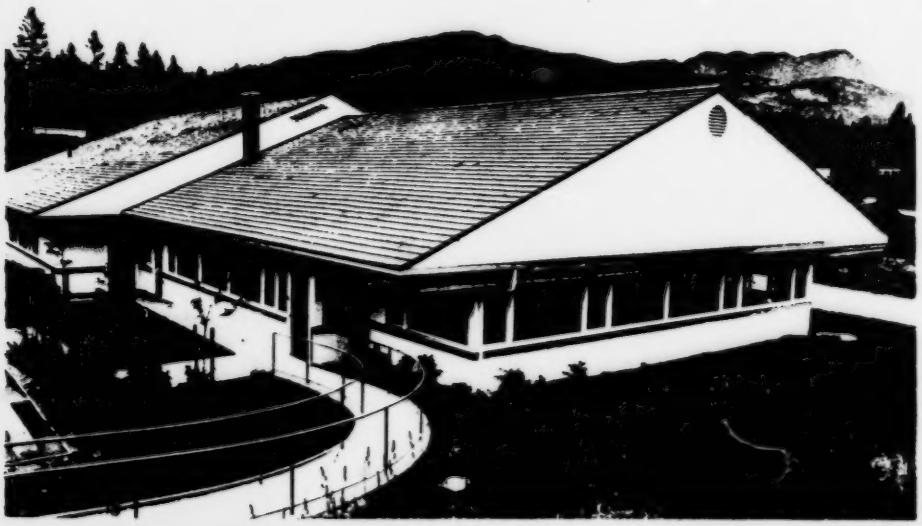


Gordon Robson
Businessman
Maple Ridge

John Wittenberg
Retired School Teacher
Abbotsford

Audit Committee: Messrs. Rigsby (Chairman), Chabot, Parkinson, Wittenberg.

The Kamloops Regional Correctional Centre, completed during the year, was three months ahead of schedule and $3.3 million below budget.



The North Okanagan Health Unit, at Salmon Arm, was designed with continuous glazing to take advantage of the view across the lake and also to brighten the building with daylight.

President's Report

I am pleased to report on the Corporation's performance for the 1988/89 fiscal year, a year that was characterized by the highest level of activity since our start-up 11 years ago.

There were dramatic increases in both the numbers of space related projects handled by our people and the levels of capital spending.

Notwithstanding the increased activity, our employees responded well to meet our customers requirements. Their even greater challenge was to absorb an increased personal work load as we had a net staff reduction of 82 positions, or almost 10% of the complement at March 31, 1988. Sixty of these people left on April 1 as part of our latest early retirement incentive plan. Our employees have my sincere thanks and appreciation for the way in which they responded to these challenges and continued to treat our customers as Priority One.

Financial Performance

The Corporation's net income increased by $5.2 million over the previous year to $28.2 million. While the main contribution to this increase was the net gain on disposal of properties of $6.6 million, other factors improved our financial performance. These included:

- A revenue increase as a result of the expansion in owned and leased space occupied by customers, and a more than 30% increase in client service projects;
- Operations savings stemmed from downsizing permanent staff, mainly attributable to the early retirement package, and the reduction of operating services in a number of the newly privatized Highways yards;
- The downward trend in energy costs continued as a direct result of our internationally-acclaimed energy management program.

Net interest costs rose by $1.2 million as a result of higher rates in the financial markets, and the completion of the Kamloops Regional Correctional Centre and other capital projects. Current volatile interest rates have had a relatively modest impact on income due to our practice of following a conservative and balanced approach in financing strategy. Higher capital spending increased total interest bearing debt by $43.7 million.

The improvement in our operating performance was also reflected in increases in the return on investment to 12.8% and the return on equity to 25.7%. This has allowed the Board of Directors to declare a dividend payable to the Government of British Columbia of $22.7 million, which maintained our industry-comparable debt/equity ratio of 80/20.

Serving our Customers

The 1988/89 fiscal year saw growth in the number of projects handled for our ministry customers. There were also more opportunities for us to share the Corporation's experience and expertise with other publicly-funded organizations.

The increase in space requirements has been felt most acutely in Victoria as several ministries strive to achieve more efficient operations through full or partial consolidations. We prepared an update of the Victoria space plan which summarizes the moves required by a number of ministries. The challenge of implementing the plan, however, has been made more complex as some ministry requirements still need to be finalized.

Merely handling more projects is not enough if we are to satisfy our customer space needs. We have recognized that service must be enhanced in a number of areas if we are to be a contemporary organization respected by those we serve. This is a reality that is becoming more widely recognized in many industries—and particularly by those companies we emulate as we seek to provide service excellence.

To help meet this challenge in 1988/89, we introduced the concept of full service accommodation through which we offer our customers a broad range of inter-dependent services that tie together all aspects of accommodation. We have worked closely with other government agencies, such as B.C. Systems Corporation and the Purchasing Commission, which have important responsibilities that contribute to the success of this concept. The initial reaction from ministries has been positive, and we plan to expand and enhance the service.

The Client Panel again made a number of important recommendations to further improve the business relationship we have with our ministry customers, one of which resulted in the Treasury Board eliminating the 10% reduction from space standards that was imposed during the restraint period of the mid-1980's. We were pleased that this recommendation was accepted as it allowed us to develop better functional space solutions for our ministry customers.

Gross Revenues
$ Millions

Space Managed Per Employee
Square Metres

Property Manager Don Williams (Property Management Unit 3, Victoria) points out details on a plan to Corporation President Dennis Truss.

In 1988, we undertook studies for the Ministry of Education in four school districts to identify cost reduction and operational improvement opportunities. As a result of these studies, the Ministry has now commissioned us to do similar studies in 20 more of the province's 75 school districts. The result of these studies will assist the Ministry in establishing realistic standard costs for budgeting purposes and will also provide incentives for cost reductions in the operation and maintenance of school facilities.

Important progress was made in expanding the amount of work done with other public sector customers. We established a senior position of Director, Marketing to help us improve our marketing to existing customers and to better plan our approach to serving other publicly-funded organizations. In terms of doing business with public sector customers, we were pleased to be of service to several organizations including the North Shore Board of Health, Sport B.C., B.C. Hydro, and the B.C. Mental Health Society, which is now responsible for the delivery of programs at the Riverview facility in Coquitlam. Discussions were held with a number of other publicly-funded organizations which I am confident will lead to new business opportunities for the Corporation.

Real Estate Activity

During the year, we played an active part in the privatization initiatives undertaken by the Government. Each opportunity covered a program that was accommodated in space owned or leased by the Corporation. The most significant support was directed to the privatization of Road and Bridge Maintenance in the Ministry of Transportation and Highways. B.C. Buildings Corporation owns 192 Highways yards and through negotiations with the new private operators, licence agreements were finalized for the continued use of 169 yards. Of the remaining facilities, nine are being retained for other program requirements of the Ministry, and the balance will be sold.

While the Highways Road and Bridge Maintenance was the largest initiative, our people also contributed to the privatization of the Kelowna Soils and Tissue Laboratory, Burnaby Dairy Laboratory, the Environmental Laboratory at U.B.C., the Provincial Education Media Centre, and the Hydrographic Surveys operation in Richmond.

The Leasing Department was particularly impacted by the increase in customer space activity. We executed more than 150 leases for new space involving commitments of some $45 million over the lease terms, an increase of 34% in the number of new leases from the previous year. In addition, over 100 leases for existing space were renewed. We continued to handle the space requirements of the Assessment Authority of British Columbia, and we served in an advisory capacity to B.C. Hydro.

During the year, we sold 56 properties for total proceeds of $9.4 million. Included was the sale of the Ponderosa Lodge facility to the Kamloops Inter-care Society, which will allow the Society to achieve a number of its objectives.

We continued to ensure that property assessments reflected the best interests of both the Corporation and its customers and, during the year, we successfully negotiated a number of assessed value reductions that will result in annual savings of $460,000 to our clients in grants-in-lieu of taxes.

Real Estate Assets
$ Millions

Development Activity Continued

At March 31, the Corporation had under construction or in the design phase over $200 million in capital projects. The Development Group, which manages all larger projects as well as developer lease projects, had 150 projects on the books compared with 75 a year earlier.

The major construction thrust has been directed to modern correctional facilities. Last year, we completed the 160-bed Kamloops Regional Correctional Centre at a total cost of $29.3 million. This project was managed very successfully; we were pleased to complete delivery to our client, the Ministry of Solicitor-General at $3.3 million below budget and three months ahead of schedule. The Prince George Youth Containment Centre—total cost of $11.5 million—was substantially complete in late April, 1989. We also upgraded the water supply for the Kootenay Trout Hatchery and brought on line Forests District Offices in Williams Lake, Quesnel and Nelson.

In addition, leased Access Centres were completed in Nanaimo and Terrace, and leased Forests District Offices were completed in Clearwater and Lillooet. The new Ministry of Regional Development was consolidated in a developer-provided office building at 712 Yates Street, Victoria.

The theme article in this Annual Report, beginning on page 14, discusses our construction activity in

view of its impact on both the Corporation and our customers.

Programs for Our People

The major challenge faced by employees has been the coincident management of a significant increase in client space with the accelerating transition toward greater use of the private sector to meet our requirements—all happening as permanent staff levels decrease.

To continue providing employees with the skills required to manage in a changing environment and, at the same time, providing them with greater opportunities to achieve both personal and career growth, we expanded our training and staff development programs.

During the year, we presented 19 different in-house courses and seminars that were attended by 340 employees. These training programs covered such diverse subjects as cleaning management, effective meetings, time management, supervisory skills, coping with stress, management process skills, and full service accommodation.

New programs are currently being developed to enhance employees' skills in marketing and using office automation. Our Commitments program, which supports the cornerstone of our management philosophy, was continued during the year. Through the five years that this program has been presented, employee response has been uniformly very high.

Opportunities for employees to take on new and exciting challenges reached record levels in the past year as 177 were either promoted into new positions or received an upward reclassification to recognize a higher level of responsibility being handled.

We were very pleased to conclude negotiation of a 39-month collective agreement with the B.C. Government Employees' Union, which represents our bargaining unit employees. During the negotiation process, we experienced six days of job action, the longest in our history. However, all employees, whether in management or the Union, soon put this behind them and we were able to return to a positive level of industrial relations.

Enhancing Property Management Initiatives

Particular emphasis was placed on cleaning management this year, recognizing that it is a $12.4 million annual operation within the Corporation. Trained and experienced supervisory personnel are being assigned to each Property Management Unit, with key responsibility to manage contracts and to assist other staff in monitoring cleaning performance. This emphasis included conducting a comprehensive 14-week cleaning management training program for 13 employees. The course was designed and conducted almost entirely by Corporation personnel.

Operating expenses, including energy and administration, totalled $68.5 million last year, virtually unchanged from the previous year. On a unit basis, operating costs were $36.87 per square metre, which is similar to last year, in spite of inflationary pressures. Of our total expenditures for operations, maintenance and client requests, 65% was spent with private sector contractors.

Advancing technology and our own expertise are allowing us to install computerized operating systems in more and more of our smaller buildings. A few years ago, these could be justified in only the largest buildings. The result has been increased customer comfort, coupled with a continuing decline in absolute energy costs. Last year, which included one of the coldest spells in decades, energy costs were $13.2 million, nearly $4 million less than in 1981/82. Our energy management program has achieved cumulative savings of more than $42 million on an investment of $14.4 million.

The past year saw us achieve by far our best ever results in accident prevention. In 1988/89, our Accidents Zero theme of the past three years came close to being a reality; we had only four lost time accidents, none of which was disabling. This represented a dramatic improvement from previous years and the credit for this success goes to all the managers, supervisors and employees whose commitment to providing and working in a safe environment made this achievement possible.

During the year many different in-house courses and seminars were attended by employees.

More Service in 1989/90

The theme for the Corporation for 1989/90 is to take positive steps to further improve service to our customers. While we have taken important strides toward achieving service excellence over the past several years, we will undertake two important initiatives to provide us with the ability to further improve our service performance:

- We will hold a series of interviews with head office customers to obtain evaluations of our performance and recommendations for improvements. Concurrently, we will undertake an independent, confidential survey of our employees to get their assessments of the existing service delivery as well as their ideas and recommendations for improvements. From these actions, we will develop a service excellence program which will involve all employees.
- We will identify areas where bureaucracy or red tape is impeding our ability to respond promptly and professionally to customers accommodation needs. While I have challenged all employees to identify any impediments in our practices and procedures that should be examined, I have also appointed a small team to undertake a series of reviews to ensure that this initiative has a focal point.

I am confident that both these thrusts will yield significant benefits for the Corporation and its customers in terms of improved service.

We will handle a sustained high level of demand to meet customers requirements. The number of projects in progress as 1988/89 ended, combined with anticipated new projects, will ensure that all our people will be highly challenged.

- We will complete the Fraser Regional Correctional Centre in Maple Ridge and proceed on schedule with the Surrey Pre-Trial Services Centre and the Burnaby Correctional Centre for Women, both of which will be completed in the following year.
- Completion of the above projects will allow us to move forward with our plans to close down the Lower Mainland Regional Correctional Centre (Oakalla) in Burnaby. During the year, we will continue to work closely with the Municipality of Burnaby to conclude a redevelopment plan for the Oakalla lands that will provide for the construction of 565 units of residential accommodation while adding 18 acres to the adjacent Deer Lake Park. Our objective is to create a development opportunity that meets the objectives of both the Municipality and the Provincial Government.
- Significant progress will be made to meet the Victoria space consolidation needs of several ministries and the Assessment Authority of British Columbia. A number of important consolidation opportunities were identified in the Victoria Space Plan, including the Ministries of Energy, Mines and Petroleum Resources; Municipal Affairs, Recreation and Culture; Education; Solicitor General; Forests; and International Business and Immigration.
- We will continue to work with the Ministry of Regional Development to provide Access Centres in up to 10 additional communities in the Province to allow the Government to enhance the delivery of important services to the public.
- We will complete a new courthouse in Maple Ridge and continue the construction of a new 13 courtroom facility in Surrey. A solution for the Family Courts in Vancouver will be determined to the satisfaction of both the Ministry and the City and planning will be started for new courts facilities in Port Coquitlam and Kelowna.
- Several new facilities will be completed for the Ministry of Forests District Office program and we will continue to assist the Ministry of Social Services and Housing with its reorganization and space upgrade initiatives.

We will continue to expand our services to publicly-funded organizations to build on the base we have established. We believe that the Corporation is well placed to share with the public sector the expertise it has developed over the years, and this will provide our people with unique and challenging opportunities that should also result in significant benefits to the taxpayer.

We will strengthen our approach to managing our portfolio to ensure that the best possible long and short term decisions are being made; develop a communication program that will better explain to various public audiences the Corporation's priorities and results; broaden the energy management program to focus more on client comfort; and continue our commitment to contemporary management of our people.

On behalf of all our employees I would like to thank the members of the Board of Directors, particularly Chairman Tom Toynbee, for their excellent counsel and support during the year. I would also like to express my appreciation to the Honourable Cliff Michael, Minister of Government Management Services and Minister Responsible for the Corporation, for his interest and enthusiastic support of the Corporation. During the year, we were pleased to welcome to our Board of Directors, Jim Chabot, a former Minister Responsible and resident of Invermere, and Len Fox and Gordon Hunter, businessmen from Vanderhoof and Victoria, respectively. George Rigsby, our longest serving Board member, left the Board on March 31st. His outstanding contribution during our formative years has been appreciated and will be missed.

My sincere thanks also go to all of our employees for their contributions to our accomplishments in the past year. It is an honour and a pleasure for me to lead such a committed and talented group of people.

Dennis F. Truss
President and Chief Executive Officer

Balance Sheet

	Note	March 31 1989	1988
		$000's	
ASSETS			
Real estate investments			
Income-producing properties	2	**531,692**	519,660
Income-producing properties under construction	3	**64,054**	34,804
Land held for development	4	**7,753**	7,842
		603,499	562,306
Corporate properties and equipment	5	**7,731**	8,512
Unamortized debt discount and issue expenses		**4,390**	6,903
Other assets	6	**28,262**	14,279
		643,882	592,000
LIABILITIES			
Long-term debt	7	**319,783**	347,529
Notes payable to the Province of British Columbia	8	**22,487**	32,793
Short-term debt	9	**111,019**	42,090
Other liabilities	10	**81,010**	65,441
EQUITY			
Contributions by the Province of British Columbia	11	**55,528**	55,538
Retained earnings		**54,055**	48,609
		643,882	592,000
Commitments	12		

ON BEHALF OF THE BOARD:

James R. Chabot, Director

Robert E. Parkinson, Director

The accompanying notes are an integral part of these statements.

AUDITORS' REPORT

To the Lieutenant-Governor-in-Council
Province of British Columbia

We have examined the balance sheet of British Columbia Buildings Corporation as at March 31, 1989 and the related statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Buildings Corporation as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements as of March 31, 1988 were audited by other auditors whose report dated May 5, 1988 expressed an unqualified opinion on those statements.

Vancouver, Canada
May 5, 1989

CHARTERED ACCOUNTANTS

Statement of Income

	Note	Year ended March 31 1989	1988
		$000's	
REVENUE			
Rentals		**235,741**	231,747
Other income		**24,384**	18,357
		260,125	250,104
EXPENSES			
Property management		**68,500**	67,630
Leases		**53,961**	51,211
Depreciation		**31,003**	29,805
Energy		**13,210**	14,063
Property taxes and grants		**11,230**	11,118
General and administrative		**8,408**	8,883
		186,312	182,710
Income before interest		**73,813**	67,394
Interest	*13*	**45,655**	44,429
NET INCOME		**28,158**	22,965

Statement of Retained Earnings

	Year ended March 31 1989	1988
	$000's	
Balance, beginning of year	**48,609**	48,609
Net income	**28,158**	22,965
	76,767	71,574
Dividend	**22,712**	22,965
Balance, end of year	**54,055**	48,609

The accompanying notes are an integral part of these statements.

Statement of Changes in Financial Position

	Year ended March 31 1989	1988
	$000's	
OPERATING ACTIVITIES		
Net income	**28,158**	22,965
Non-cash items – depreciation and amortization	**33,516**	32,919
– gains on disposal of properties	**(6,600)**	(2,134)
Other assets and liabilities, net change	**12,683**	(2,602)
	67,757	51,148
FINANCING ACTIVITIES		
Long-term debt issued	**–**	27,300
Long-term debt repayments	**(11,476)**	(11,444)
Increase in sinking funds	**(16,270)**	(10,336)
Decrease in notes payable to the Province	**(10,306)**	(10,305)
Increase in short-term debt	**68,929**	6,730
	30,877	1,945
INVESTMENT ACTIVITIES		
Real estate investments	**(76,564)**	(57,180)
Sale proceeds from disposal of properties	**13,318**	11,761
Corporate properties and equipment	**(1,579)**	(2,898)
	(64,825)	(48,317)
DIVIDENDS		
Dividend declared	**(22,712)**	(22,965)
Increase (decrease) in dividend payable	**(253)**	20,320
	(22,965)	(2,645)
INCREASE IN CASH AND CASH EQUIVALENTS	**10,844**	2,131

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

March 31, 1989

1. ACCOUNTING POLICIES

The Corporation is incorporated under the British Columbia Buildings Corporation Act as a Crown corporation of the Province of British Columbia, and is an agent of the Crown.

(a) **Real Estate Investments**

Real estate investments and corporate properties and equipment are recorded at cost less accumulated depreciation. In addition to land and direct costs, amounts capitalized to real estate investments during development and construction include property taxes and the applicable portion of both interest on general borrowings and general and administrative expenses.

(b) **Depreciation**

Real estate investments and corporate properties and equipment are depreciated on an individual basis by the straight-line method over their estimated useful lives or lease terms. Depreciation is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are between five and forty years. The estimated useful lives of all other assets are between three and ten years.

(c) **Income Taxes**

The Corporation is exempt from Federal and Provincial income taxes.

(d) **Sinking Funds**

Payments made to sinking funds with respect to retirement provisions of sinking fund bonds and debentures, together with accumulated sinking fund earnings, are netted against the related debt. The related sinking funds will be applied against the bonds or debentures when they are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(e) **Amortization of Debt Discount and Issue Expenses**

Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

(f) **Cash and Cash Equivalents**

Cash and cash equivalents for purposes of the Statement of Changes in Financial Position includes cash and temporary investments, net of bank indebtedness.

(g) **Rentals Received in Advance**

Rentals received in advance will be amortized using the effective rate of interest method over a period of approximately ten years.

2. INCOME-PRODUCING PROPERTIES

	1989	1988
	$000's	
Net book value:		
Cost	**746,733**	710,317
Accumulated depreciation	**(215,041)**	(190,657)
	531,692	519,660
Activity:		
Net book value, beginning of year	**519,660**	518,921
Properties transferred from income-producing properties under construction	**45,370**	32,038
Disposals	**(5,346)**	(4,892)
Depreciation expense	**(27,992)**	(26,407)
Net book value, end of year	**531,692**	519,660

3. INCOME-PRODUCING PROPERTIES UNDER CONSTRUCTION

Balance, beginning of year	**34,804**	11,670
Direct development and construction costs	**67,101**	50,299
Capitalization of:		
Interest	**3,743**	1,372
General and administrative expenses	**3,776**	3,501
Cost of properties completed and transferred to income-producing properties	**(45,370)**	(32,038)
Balance, end of year	**64,054**	34,804

4. LAND HELD FOR DEVELOPMENT

Balance, beginning of year	**7,842**	10,521
Capitalization of interest and property tax	**79**	188
Disposals	**(168)**	(2,867)
Balance, end of year	**7,753**	7,842

Notes to the Financial Statements

March 31, 1989

5. CORPORATE PROPERTIES AND EQUIPMENT

	1989	1988
	$000's	
Cost:		
Office and data processing equipment	**11,240**	11,943
Corporate properties and leasehold improvements	**3,191**	3,102
Maintenance equipment	**2,443**	2,387
Vehicles	**3,244**	2,953
	20,118	20,385
Accumulated depreciation	**(12,387)**	(11,873)
	7,731	8,512

6. OTHER ASSETS

Temporary Investments, at cost, with the Province of British Columbia	**11,000**	–
Accounts receivable:		
– Province of British Columbia	**13,464**	9,835
– Other	**2,428**	2,364
Prepaid expenses	**1,370**	2,080
	28,262	14,279

7. LONG-TERM DEBT

	1989	1988
	$000's	
Principal outstanding:		
27 series at an average effective interest rate of 11.96% (1988 - 27 series at an average effective interest rate of 11.93%)	**394,621**	406,097
Sinking funds on deposit with the Minister of Finance and Corporate Relations for British Columbia, relating to long-term debt of $313,041,000 (1988 - $313,041,000)	**(74,838)**	(58,568)
	319,783	347,529

At March 31, 1989, the coupon rates on the long-term debt ranged from 8.50% to 15.69% (1988 - 8.50% to 15.69%).

Of the long-term debt outstanding, $193,000,000 (1988 - $193,000,000) is payable to the Minister of Finance and Corporate Relations for British Columbia. The Province has unconditionally guaranteed the principal and interest of all other long-term debt issued by the Corporation.

At the option of the Minister of Finance for Canada, Sinking Fund Debentures with an aggregate principal of $165,041,000 maturing between 1997 and 2003 may be called prior to maturity under certain conditions on six months written notice.

Principal payments, net of projected sinking fund balances at maturity, and sinking fund payments for each of the next five years:

	$000's
1989/90	**66,584**
1990/91	**21,583**
1991/92	**45,405**
1992/93	**16,392**
1993/94	**5,023**

8. NOTES PAYABLE TO THE PROVINCE OF BRITISH COLUMBIA

The promissory notes are non-interest bearing, callable on 30 days notice, and repayable semi-annually in varying amounts to March 31, 1992, as follows:

	$000's
1989/90	**10,306**
1990/91	**10,306**
1991/92	**1,875**
	22,487

9. SHORT-TERM DEBT

The interest rates on short-term debt range from 11.09% to 12.87% (1988 - 8.35% to 8.63%), and result in an effective interest rate of 11.92% (1988 - 8.54%) for the notes outstanding. Included in short-term notes is $102,154,000 payable to the Minister of Finance and Corporate Relations for British Columbia. These notes mature at varying dates to November 24, 1989.

10. OTHER LIABILITIES

	1989	1988
	$000's	
Due to bank, unsecured	**1,387**	1,231
Accounts payable and accrued liabilities	**25,852**	25,450
Holdbacks	**4,623**	2,829
Accrued interest payable:		
– Province of British Columbia	**7,961**	6,646
– Other	**6,218**	6,320
Rentals received in advance from the Province of British Columbia	**12,257**	–
Dividend payable	**22,712**	22,965
	81,010	65,441

11. CONTRIBUTIONS BY THE PROVINCE OF BRITISH COLUMBIA

Balance, beginning of year	**55,538**	55,579
Land returned to the Province	**10**	41
Balance, end of year	**55,528**	55,538

12. COMMITMENTS

The Corporation estimates that the cost to complete projects under construction will be $123,000,000 of which $92,000,000 has been committed.

The Corporation has entered into leases with third parties to provide space for its client ministries and its head office for varying periods up to the year 2037, at a total aggregate net rental of approximately $163,000,000. Most leases are for between five and ten years and include renewal options.

Minimum annual lease payments which will be charged to operations in subsequent years, for leases committed at March 31, 1989:

	$000's
1989/90	**42,000**
1990/91	**36,000**
1991/92	**27,000**
1992/93	**21,000**
1993/94	**12,000**
Post 1993/94	**25,000**
	163,000

13. INTEREST

	1989	1988
	$000's	
Interest on long-term debt	**45,433**	44,108
Other interest	**7,987**	3,645
Amortization of debt discount and issue expenses	**2,513**	3,113
	55,933	50,866
Deduct:		
Interest earned	**6,499**	4,915
Interest capitalized	**3,779**	1,522
	10,278	6,437
	45,655	44,429

14. RELATED PARTY TRANSACTIONS

The Corporation received 87% of its total revenues from Provincial Government ministries. These revenues consist primarily of rents that are determined with reference to market; however, in such cases where comparable market rates do not exist, rents are based on the amortization of the capital costs.

Corporation's record year of construction helps ministries meet program objectives

Each day, province wide, thousands of private sector people, associated with all aspects of construction, go to work on behalf of the British Columbia Buildings Corporation.

During the fiscal year just ended, Corporation work completed, under construction, or in design, totalled a record $200 million. This is being shared by architects, engineers, designers, draftspeople, planners, schedulers, carpenters, electricians, plumbers, and every other trade involved in construction.

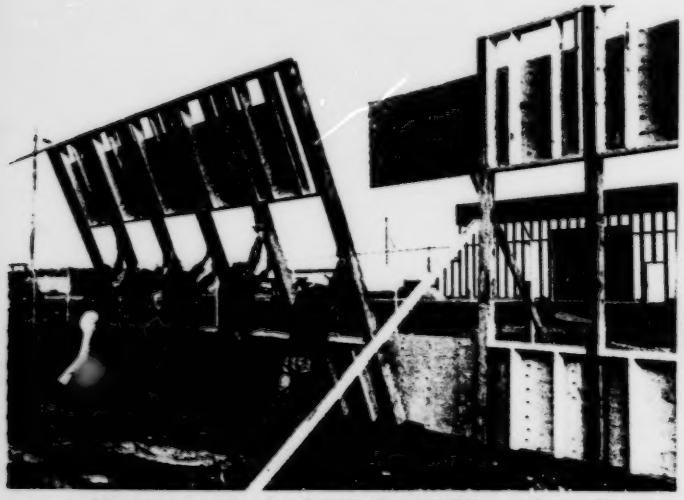
Managing such projects has become a proven area of expertise in the Corporation and the largest of the buildings currently under construction have scheduled completion dates extending through to late in 1990. The total program is providing some 8,300 private sector jobs—2,500 direct and the remainder, indirect.

The year's major projects underline a commitment made by the government to close Oakalla, the outdated Lower Mainland Regional Correctional Centre in Burnaby.

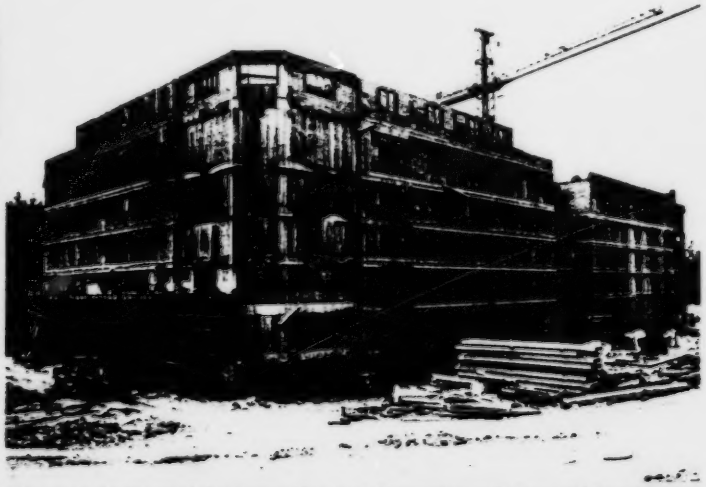
Three facilities are being built as replacements. At Maple Ridge the main construction of the Fraser Regional Correctional Centre is nearing completion; at the Burnaby Correctional Centre for Women the walls are going up; and at Surrey foundations have been poured for the Pre-Trial Services Centre.

These facilities, along with the recently completed Kamloops Regional Correctional Centre and the Prince George Youth Containment Centre, place the Corporation's work on correctional institutions at 77 per cent of the dollar value of the year's projects. Correctional facilities, unlike office buildings, are vastly more complex and require the constant focus of a high degree of expertise, beginning with the initial planning process and intensifying during the construction phase.

The Royal British Columbia Museum, in Victoria, where a new display area was constructed.



Up goes a wall at the Forests District Office in Prince George.

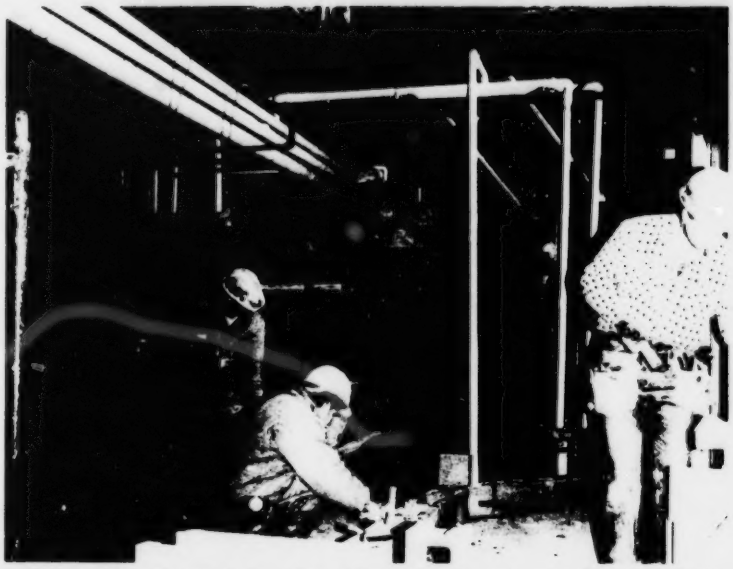


The main structure of the Fraser Regional Correctional Centre, at Maple Ridge, is nearing completion. This is the largest of three facilities replacing Oakalla.

The Corporation, working with the Ministry of the Solicitor General, is an international leader in a new age of correctional facility design. No longer are all inmates housed in the one huge area. Instead, smaller living units, within the building, segregate the inmates into groups of about 20. Although such construction is more expensive and takes longer, the benefits far outweigh the costs. The smaller grouping fosters improved rehabilitative possibilities for the inmates. Also, any disturbance can be confined to one small area.

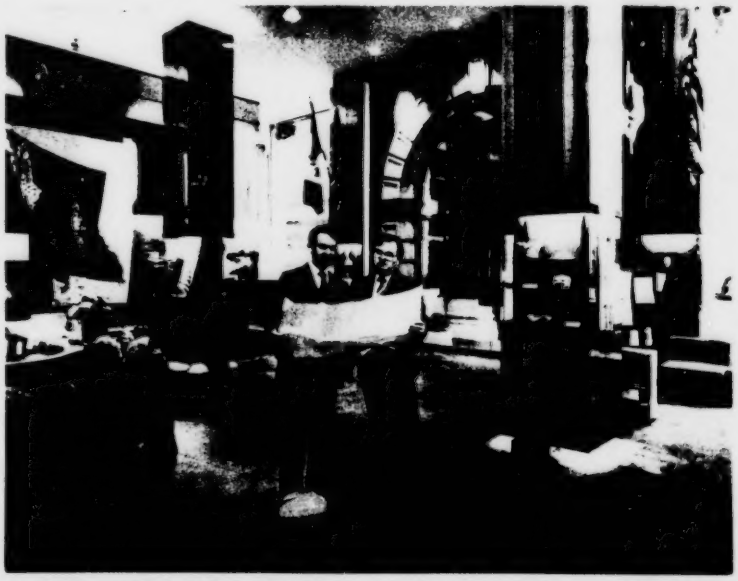
With each of the correctional projects, value and momentum is added by the high level of co-operation between the Corporation and the Ministry. These complex, high value projects are being successfully managed within budget and schedule, only through such an excellent professional relationship.

Although correctional institutions currently dominate the Corporation's construction program, the following selection of other projects indicates the diverse range of our project management challenges: At the furthermost geographic point of the Corporation's responsibility, London, England, a major upgrading was completed in British Columbia House. At the Kootenay Trout Hatchery, in Wardner, new wells were drilled to increase the water supply and a building was erected over the outside ponds. At many locations—Prince George, Quesnel, Revelstoke, Williams Lake, Clearwater, Lillooet, Nelson, Terrace—district offices were provided for Forests. A health centre was completed at Salmon Arm and planning was started on another at Kelowna. In Vancouver, the B.C. Food Pavilion was erected for the International Food Fair. Extensive renovations and upgrading were carried out at the Riverview hospital in Coquitlam. A display area about oil exploration—Rigs, Rocks and Roughnecks—was built in the Royal British Columbia Museum at Victoria. Additionally, the Corporation monitored the design and construction of several projects, built and owned by private sector developers, for lease to the Corporation.



Interior living unit walls being built at the Youth Containment Centre in Prince George.

From plans on paper to concrete construction, the Burnaby Correctional Centre for Women progresses day by day.



In the foyer at British Columbia House, London, Project Manager Mike Nelms (Development Group) discusses planned renovations with the resident Finance and Administration Director William G. Mercer.

In brief, during the year the Corporation had twice the number of capital construction projects than a year earlier.

In the 11 years since it was established, the Corporation has managed construction, completed and underway, worth $800 million. The first major building totally controlled by B.C. Buildings, from concept to completion, was the Law Courts at New Westminster. This $17.6 million project, completed in mid 1980, was brought in well below budget and two months ahead of schedule. That set a challenging cornerstone for the approach and attitude towards construction projects.

Since then projects have been completed, on average, six per cent below budget and almost always within the agreed schedule. The largest structure finished in 1988-89 was the $29.3 million Kamloops Regional Correctional Centre, it was completed 11 per cent under budget and three months ahead of schedule.

The Corporation's management of construction is, in microcosm, an example of the Corporation itself. Using relatively few in-house staff, B.C. Buildings contracts work with the private sector. There are only eight project managers in the Corporation and, on average, during the year being reported they each managed ten projects at a time.

Acting with considerable autonomy, the project managers oversee private-sector architects, engineers, other professionals and a broad range of contractors to get the best return possible on the tax-payer dollars expended. This all has to be accomplished while liaising closely with the client ministry to achieve a balance that provides the best value and meets the ministry requirements.

Concrete being vibrated into place at the Pre-Trial Services Centre in Surrey.

The Maple Ridge Law Courts being built alongside the Police Station.

Projects Superintendent Doug Ball (Property Management Unit 13, Kamloops) in a living unit at the Kamloops Regional Correctional Centre.

Corporate Management

President and Chief Executive Officer Dennis Truss
General Counsel and Assistant Secretary Stephan Marmash

Marketing and Client Services Group
Vice-President Bryan Wilson

Departments
Marketing Director Bill Bird
Client Services Director Bill Robertson

Development Group
Vice-President John Davies

Departments
Programming and Estimating Manager Ben Vivian
Project Management Manager Peter Moyles
Technical Standards and Research Manager Peter McKenna

Real Estate Group
Vice-President John Robinson

Departments
Leasing Manager Gary James
Pricing Manager Bill Blair
Real Estate Manager Chris Schreiber
Space Management Manager Bob Brandle

Property Management Group
Vice-President Al Kemp

Departments
Administrative Support Manager Effie Fahey
Technical and Energy Management Manager Jack Meredith

Regions
1 (Vancouver Island) Director Jim Harrison
2 (Lower Mainland) Director Evan Brewer
3 (Southern to Northern B.C.) Director Wray White

Administration Group
Vice-President Brian Kennedy

Departments
Corporate Controller Terry Gagne
Finance and Corporate Planning Manager Jim Alexander
Human Resources and Corporate Affairs Manager Grant Close
Internal Audit Manager Mike Grannum
(also Corporate Secretary)
Management Systems Manager Lak Parmar
Organization and Staff Development Manager Bill Heschuk

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Chartered Accountants
Vancouver, B.C.

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